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FM AMEMBASSY KUALA LUMPUR
TO RUEHC/SECSTATE WASHDC IMMEDIATE 3512
INFO RUCNASE/ASEAN MEMBER COLLECTIVE PRIORITY
RHHMUNA/HQ USPACOM HONOLULU HI PRIORITY
RHEHNSC/NSC WASHDC PRIORITY
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S E C R E T SECTION 01 OF 04 KUALA LUMPUR 000956

NOFORN
SIPDIS

FOR EAP/MTS AND INR, PACOM PLEASE PASS TO ADMIRAL WALSH,
GENERAL NORTH, AND VICE ADMIRAL BIRD

E.O. 12958: DECL: 11/25/2029
TAGS: [MCAP](#) [MARR](#) [MASS](#) [MOPS](#) [PGOV](#) [PREL](#) [PTER](#) [OVIP](#) [MY](#)
SUBJECT: SCENESETTER FOR VISIT TO MALAYSIA BY ADMIRAL
WALSH, GENERAL NORTH, AND VICE ADMIRAL BIRD

Classified By: Classified by Deputy Chief of Mission Robert G. Rapson f
or reason 1.4 (b and d).

Summary and Introduction

¶1. (C) Embassy Kuala Lumpur warmly welcomes your visit to Malaysia. You will be participating in the Airpower and Maritime Conferences and meeting high ranking defense officials not only from Malaysia, but from other countries around the world who are participating in this year's Langkawi International Maritime and Aerospace (LIMA) Exhibition. Prime Minister Najib Tun Razak is also expected to be present for the LIMA Signing Ceremony and to open the LIMA 09 Gala Dinner.

¶2. (C) Your visit comes at a moment of increasing opportunity in the U.S.-Malaysia relationship generally. In his first seven months in office, Prime Minister Najib has demonstrated a more pragmatic and action-oriented approach than his predecessor, Abdullah Badawi. The Mahathir era anti-Americanism is gone, replaced by pragmatic engagement. Najib has explicitly endorsed strengthened ties with the United States (where he is traveling this week). In this context, our efforts are focused on continuing our good security cooperation with Malaysia, expanding the trade and investment dimensions of our ties, and deepening our partnership on key global issues, including Malaysia's diplomacy towards Iran and Afghanistan. End Summary and Introduction.

The Broader Relationship

¶3. (C) Robust trade and investment ties remain the solid foundation of our relationship with Malaysia, our 18th largest trading partner (bilateral trade totaled USD 44 billion in 2008). The GOM has been an important partner on counterterrorism when it serves Malaysia's own security interests, and we enjoy expanding law enforcement cooperation as well as evolving military-to-military ties. Our people-to-people ties build on decades of Malaysian students studying in America (5,400 Malaysian students studied in the U.S. during in 2007-2008). The emergence of new administrations in both our countries has provided expanded opportunities to pursue vigorous public outreach to often-skeptical, but now more receptive, Muslim Malay audiences. Given its biodiversity, we have included Malaysia in regional environmental initiatives to protect rainforests and coral reefs.

Najib and His Cabinet Seek Better U.S.-Malaysia Ties

14. (C) Early in our new Administration numerous prominent, senior interactions with Malaysia included attention to the relationship from the President (his 20-minute phone call with Najib in June), Secretary Clinton, and Deputy Secretary of State Steinberg. We have been able to underscore the importance of security cooperation through a variety of public and private events, including the travel to the U.S. of the head of the Royal Malaysian Police and his key counterterrorism advisor, the visit to KL of the USAF Thunderbirds, and a steady pace of naval port calls with attendant bilateral training that rivals in quantity and quality some of the most popular destinations in the region. In addition to the President's historic summit meeting with ASEAN leaders in Singapore, Minister for International Trade and Industry Mustapha and USTR Ambassador Kirk had a productive meeting, helping us to refine our bilateral and regional approach to trade issues with Malaysia and pointing the way toward serious Malaysian consideration of the Trans-Pacific Partnership. PM Najib, who is in New York and Washington on a private trip November 23-25, has expressed strong interest in meeting President Obama in Washington. No dates have yet been fixed.

15. (C) Najib has a more nuanced sense than his predecessor, Abdullah Badawi, of international politics as well as Malaysia's place in the region and the world. Najib places a priority on foreign relations beyond Malaysia's traditional reference points of the Non-Aligned Movement (NAM) and the Organization of the Islamic Conference (OIC). Although it would be inapt to describe Najib as pro-Western, the UK-educated Prime Minister recognizes the benefits to

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Malaysia of engaging the U.S., sustaining access to our market and U.S. investment, along with rapidly developing ties to China and India, and of participating in international institutions. He has given explicit instruction to his cabinet to greatly improve relations with the U.S.

16. (C) DefMin Zahid Hamidi has also emphasized Malaysia's desire to strengthen our bilateral military relationship, Malaysia's role in anti-piracy and UN peacekeeping, and Malaysia's potential assistance to Afghanistan. Zahid has expressed hope that a compromise, possibly involving reduced fees and some form of cost-sharing, could be achieved in the near-term regarding commercial port fees charged U.S. naval vessels. Zahid has indicated some concern with China's activities in the South China Sea, but also encouraged broad U.S. engagement with China.

MIL-MIL Cooperation

17. (C) Assistant Secretary Gregson's ongoing dialogue with Malaysian military policy counterparts is of a piece with Assistant Secretary Campbell's dialogue with Ministry of Foreign Affairs Secretary General Rastam. The Malaysian military has consistently been more willing to engage with us and more willing to be seen doing so than its civilian counterparts. In contrast to some of its neighbors, the Malaysian military is not a key player in either foreign policy or the maintenance of public order. It is accordingly free to focus on the nation's defense and is keen to increase training and exercise opportunities with us, within well established boundaries and with the necessary concurrence of the Foreign Ministry. With about two dozen ports calls per year, we have a robust program of naval exchange, our investment in maritime domain awareness in East Malaysia is developing well, and our nascent cooperation with the Malaysian Coast Guard is also maturing. KL continues to resist inclusion in prominent multilateral exercises, such as Cobra Gold, which it observes, out of concern that it not taint Non-Aligned Movement or Organization of the Islamic Conference credentials. Nevertheless, we are steadily

expanding our cooperation, including by embedding a C-130 pilot in a Malaysian unit, increasing our senior NCO exchanges and looking for NCO training opportunities, and focusing on humanitarian assistance and disaster relief exercise opportunities, talking in mil-mil channels about pandemic preparation, and developing a more and more robust program of institutional and personnel exchanges and visits, including record numbers of naval port calls.

18. (C) Looking ahead, one key policy objective is to elicit politically and symbolically important assistance from Malaysia to Afghanistan in mil-mil channels, in Afghanistan. The Malaysians are training teachers already and enjoy warm and friendly relations with the Afghans. We understand PM Najib told the Australians that Malaysia was preparing to begin a program of police training, albeit to Afghan civilian police in Malaysia, not in Afghanistan. Our British and Australian colleagues are also encouraging the Malaysians to do more for Afghanistan. KL's preference is civilian training in Malaysia, not in-country in Afghanistan.

19. (C) Langkawi International Maritime and Aerospace (LIMA) Exhibition: Your participation in this exhibition will help advance relationship building at the highest defense official level. LIMA was founded in 1991 and is now one of Asia's premier destinations for aerospace and maritime manufactures looking to enter or expand within Asian-Pacific markets in the defense, enforcement, and civil sectors. This year's exhibition will include over 318 exhibitors, 71 warships and vessels, and 53 aircraft from over 55 countries. The GOM takes a lot of pride in hosting the event, but military and exhibitor participation in the bi-annual show has been on the decline since its peak in 1999. Our air engagements via flyover by our B52 and our naval engagements via port calls by our destroyers give us opportunities to showcase our capabilities and assets that are appropriate for Malaysia as it looks forward to making its armed forces more capable and joint in all their future operations. All the key Malaysian defense leaders from Defense Minister, CDF, SecGen, and Service Chiefs will be present at LIMA to hold office calls and to host dinners, some of which you are scheduled to attend. Other key defense officials from other countries in the region and around the world will also participate,

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including: Bangladesh, Brunei, Cambodia, Canada, Chile, China, East Timor, Fiji, France, Germany, India, Indonesia, Italy, Korea, Myanmar, New Zealand, Oman, Pakistan, Papua New Guinea, Philippines, Qatar, Saudi Arabia, Singapore, South Africa, South Korea, Spain, Sri Lanka, Thailand, Turkey, the United Kingdom, and Vietnam.

Foreign Policy and Foreign Relations

110. (C) While Malaysia's NAM-centric foreign policy (which has led Malaysia to vote opposite the U.S. position on almost all important UN issues) is unlikely to change dramatically, prospects exist for identifying and working together on shared foreign policy priorities. U.S. support for Malaysia joining the Somalia anti-piracy Contact Group was a useful start to moving Malaysia toward more engagement in multilateral security structures. Malaysia is a leading member of ASEAN, and could play a more positive role in Southeast Asian conflict resolution and ASEAN's approach to Burma to bring about democratic change in that country.

111. (C) Outside of relations with its immediate neighbors within ASEAN and its continuing aspirations to play a leading role within the NAM and OIC, foreign policy in Malaysia generally takes a back seat to domestic issues and the ruling party's focus on consolidating its power after being shaken in March 2008 general elections. The one foreign policy issue that resonates with the Malaysian public is the Israel-Palestine conflict, where predominantly Muslim Malaysians (55 percent of the population) identify with the

Palestinians and attack U.S. support of Israel.

CT and Law Enforcement

¶12. (S) The main thrust of our counterterrorism cooperation is civilian-to-civilian, and cooperation is generally good. Early round-ups in 2001-2002 of scores of Jemaah Islamiyah (JI) suspects helped prevent terrorist attacks here, but Malaysian extremists remain engaged in JI operations elsewhere. Two Malaysians were among the 14 high-value U.S. detainees transferred to Guantanamo in 2006; Malaysia has a pending request for their return. Growing domestic political pressure to do away with preventive detention laws, principally the Internal Security Act (ISA), could pose a long-term challenge to Malaysian law enforcement, which is overly reliant on administrative detention. Inter-agency engagement has also increased with the newly formed Malaysian Maritime Enforcement Agency (MMEA), which has broad maritime law enforcement, humanitarian, and security responsibilities similar to the U.S. Coast Guard.

Non-proliferation, Iran and Security Issues

¶13. (S) The GOM supports the Non-Proliferation Treaty (NPT) regime, with emphasis on the need for all countries to denuclearize; it has praised current U.S.-Russia disarmament negotiations. Malaysia claims to enforce the letter of UNSCR resolutions, but it has not entered into the spirit of putting pressure on Iran to relinquish its nuclear weapons development programs, perhaps primarily due to the widespread public perception here that Iran's denial of a weapons program can be taken at face value. The recent revelations that Iran was operating an additional nuclear enrichment in Qom has been an eye-opener to the Malaysian leadership, but they have sent us mixed signals on any intention to join international efforts to prevent Iran from developing nuclear weapons.

¶14. (S/NF) Malaysia maintains a USD 1.2 billion trade relationship with Iran with growing two-way investment as well. Iranian front companies continue to operate in Malaysia, resulting in the transshipment of sensitive technology to Iran. In some instances, the GOM has cooperated in stopping such shipments when supplied with clear evidence tied to UNSCR-mandated sanctions. Despite our objections, Bank Mellat subsidiary First East Export Bank was given a license in 2009 and is now operating in Malaysia, Labuan offshore financial center. The GOM supports UNSCR resolutions concerning North Korea and has publicly denounced continued North Korean saber rattling, although the North Koreans also use Malaysia as a platform for regional activities.

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The Economy

¶15. (SBU) Malaysia's economy is expected to contract around five percent in 2009 and recover slowly in 2010. The global recession led to dramatic declines in exports and investment this year in Malaysia, resulting in a recession since the first quarter of 2009. Malaysian policy makers responded with monetary easing and two fiscal stimulus packages worth a total of USD 19 billion, but the Central Bank does not expect a rebound until the fourth quarter of 2009 (with data not yet available) because Malaysia remains dependent on the resumption of growth in its key export markets, including the U.S., the EU, and Japan. Hence, the political stakes are high for Najib, who must ensure that the economy continues to provide growth and prosperity to a large middle class.

Domestic Politics

¶16. (C) Najib came to power in the midst of domestic political discord that raises long-term questions regarding the continued dominance of his ruling UMNO party, in power since independence in 1957. He replaced former PM Abdullah Badawi, who was eased out after the ruling National Front (BN) coalition lost its near-perpetual two-thirds majority control of Parliament--and five of 13 states--in the March 2008 general elections. Najib is determined to restore BN's dominance, but he must contend with rising public expectations for better governance and a resurgent political opposition, led by charismatic former Deputy Prime Minister Anwar Ibrahim.

KEITH